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June 30, 2006

Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: In the Matter of the Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996, CC Docket No. 96-128

Dear Ms. Dortch:

Attached please find the Independent Accounts Reports by KPMG which Verizon is required to submit to the FCC per the requirements of 47, C.F.R. Section 64-1310, as discussed in the FCC Report and Order released on October 3, 2003 in the above docket. Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ann D. Berkowitz".

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

Management of Verizon¹ ("Verizon" or the "Company") is responsible for establishing and maintaining the internal controls over its pay telephone call tracking system necessary for compliance with 47 C.F.R. Section 64.1310(a)(1), 64.1320(c), and 64.1320(d) of the Federal Communications Commission's ("FCC") Rules and Regulations and related requirements contained in CC Docket No. 96-128, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has evaluated the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1), using the criteria in 47 C.F.R. Section 64.1320(c) of the FCC's Rules and Regulations as the framework for the evaluation. Based on this evaluation, we assert that as of June 29, 2006, the Company complies with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1) in all material respects as described below. Verizon has disclosed all material changes since June 30, 2005 to the auditors concerning the call tracking system that must be disclosed in accordance with Section 64.1310(t) of the FCC Rules and Regulations. The material changes do not affect Verizon's compliance with Section 64.1310(a)(1).

Verizon provides the following information regarding its compliance. Verizon has two separate payphone compensation environments: 1) Long distance operations² ("LD Operations"), consisting of inter LATA and intraLATA toll services provided by Verizon long distance carriers, and 2) Local exchange carrier operations³ ("LEC Operations"), consisting of local exchange and intraLATA toll services provided by Verizon's local exchange carriers. The assertions associated with each environment are described separately below.

I. LD Operations

Verizon acts as the Completing Carrier⁴ in the following call scenarios:

- 1 VLD post-paid calling card calls
- 2 VLD post-paid toll-free calls
- 3 VLD operator services calls
- 4 VLD postpaid personal toll-free calls

¹ Verizon's domestic local exchange carriers (LECs) and long distance carriers (LDs) as defined in footnotes 2 and 3.

² Verizon's LD carriers consist of Bell Atlantic Communications, Inc. (d/b/a Verizon Long Distance) and Verizon Select Services, Inc.

³ Verizon's domestic local exchange carriers consist of the following companies: Verizon New York Inc., Verizon New England Inc., Verizon Washington, DC Inc., Verizon Maryland Inc., Verizon Virginia Inc., Verizon West Virginia Inc., Verizon New Jersey Inc., Verizon Pennsylvania Inc., Verizon Delaware Inc., Verizon California Inc., Verizon Florida Inc., Verizon Mid-States (Contel of the South, Inc.), Verizon North Inc., Verizon Northwest Inc., Verizon South Inc., Verizon Southwest (GTE Southwest Inc.), Verizon West Coast Inc., Puerto Rico Telephone Company and any successor or assign of such company. Puerto Rico Telephone Company is the subject of a separate audit and report.

⁴ As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

5. VSSI prepaid calling card calls
6. VSSI prepaid calling card customer service calls
7. VSSI 1-800-USE-THE-VZ calls

Verizon LD Operations uses Billing Concepts, Inc. (BCI) to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon BCI performance. In support of these assertions, Verizon relies upon a contractual agreement between Verizon and BCI (BCI Contract), which requires BCI compliance with CC Docket No. 96-128. In addition, BCI has provided Verizon an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by BCI. Verizon has not conducted an independent evaluation and makes these assertions based solely on the BCI Contract and third-party audit report of BCI's operations.

The assertions for Verizon LD Operations are made starting with the initial point in call record processing at which Verizon has visibility to the call tracking data. Verizon represents the following facts regarding its LD Operations in its role as the Completing Carrier. These facts are in fulfillment of the obligation of Verizon as described at 47 C.F.R. Section 64.1320(c):

A. Verizon's procedures accurately track calls to completion, as follows:

1. Verizon's system tracks completed calls, which are calls answered by a third party.
2. Verizon's systems are able to generate the following reports on a quarterly basis, and the third-party audit report of BCI verified that BCI's systems are able to generate the reports and report data for which BCI is responsible, as follows:
 - a) A list of the toll-free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI (Automatic Number Identification) digits for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by Verizon.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling Verizon's payphone compensation.
 - d) The Carrier Identification Code (CIC) or trunk routing group of all facilities-based long distance carriers that routed calls to Verizon, categorized according to toll-free and access code numbers.
3. Verizon stores for 27 months all of the data required for the reports described in paragraph 2 above, and the time and date of every call identified in its quarterly reports to PSPs, and the third-party audit report of BCI verified that BCI also stores this data for 27 months.
4. Verizon's procedures for identifying PSPs are complete and accurate, and the third-party audit report of BCI processes verified that BCI procedures for identifying PSPs are also complete and accurate.
5. Verizon's procedures for validating payphone ANIs are complete and accurate, subject to provision of the relevant information by BCI, the completeness and accuracy of which the third-party audit report of BCI processes verified.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

6 Verizon's definition of a "Compensable Call" is in compliance with FCC rules.

B. Verizon has identified persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:

- 1 Verizon has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation, and resolving disputes concerning payphone-completed calls.
- 2 Verizon has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of BCI verified that BCI has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
- 3 Verizon has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets and the third-party audit report of BCI verified that BCI has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.
- 4 Verizon has identified personnel who are responsible for developing compensation-tracking reports and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for developing compensation-tracking reports under their control.
- 5 Verizon has identified personnel who are responsible for payphone compensation dispute resolution and the third-party audit report of BCI verified that BCI has designated personnel who are responsible for the payphone compensation dispute resolution under their control.
- 6 Verizon has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, Billing Concepts, Inc.

C. Verizon has effective data monitoring procedures, as follows:

- 1 Verizon has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed and completed, and the third-party audit report of BCI verified that BCI has the ability to prepare the quarterly reports on payphone call counts, PSP identities and numbers dialed and completed under their control.
- 2 Verizon performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- 3 Verizon performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
- 4 Verizon has the ability to investigate and resolve PSP disputes.

D. Verizon adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:

- 1 Verizon has security controls in place to control access to and monitor call-tracking data, and the third-party audit report of BCI verified that BCI has controls in place to control access to and monitor call-tracking data.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

- 2 Verizon has security controls in place to control access to and monitor the payment disbursement system, and the third-party audit report of BCI verified that BCI also maintains such controls.
- 3 Verizon has a department that is responsible for making software changes that affect payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such a department.
- 4 Verizon has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of BCI verified that BCI also maintains such protocols.
- 5 Verizon has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

E. Verizon creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:

- 1 Verizon utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- 2 A compensable call for Verizon is one originating at a payphone and completed by Verizon.
- 3 Verizon uses payphone-specific identifiers (info digits or ANI lists) to identify a compensable payphone call record, and the third-party audit report of BCI verified that BCI also maintains such identifiers.
- 4 Verizon applies validation and control procedures to compile the Compensable Call File.
- 5 Verizon uses the appropriate FCC default "per-call rate" to compensate PSPs, and the third-party audit report of BCI processes verified that BCI compensates payphone providers based on this rate.

F. Verizon has procedures to incorporate call data into required reports as follows:

- 1 Verizon's systems are able to generate, and the third party audit report of BCI verified that BCI's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
 - a) A list of the toll-free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll-free and access number that was completed by Verizon.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling Verizon's payphone compensation.
 - d) The Carrier Identification Code (CIC) or trunk routing group of all facilities-based LD carriers that routed calls to Verizon, categorized according to toll-free and access code numbers.
- 2 Verizon possesses a valid list of payphone owners identified by ANI, and the third-party audit report of BCI verified that BCI possesses a valid list of payphone owners identified by ANI.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

G. Verizon has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:

- 1 Verizon has the ability to investigate and resolve PSP disputes.
- 2 Verizon has designated personnel who are responsible for payphone compensation dispute resolution.
- 3 Verizon filed a statement on July 1, 2004 that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes of such persons. The statement was filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.
- 4 Verizon's data storage requirements are in compliance with the FCC rules.

H. Verizon has contracted an independent third-party auditor to test critical controls and procedures to verify that errors are immaterial, as follows:

- 1 Verizon has procedures to identify payphone-originated calls, and the third-party audit report of BCI verified that BCI also has such procedures.
- 2 Verizon has procedures to capture dial-around calls.
- 3 Verizon has procedures to exclude incomplete calls from the Compensable Call File.
- 4 Verizon has procedures to accurately populate call record data in the Compensable Call File.
- 5 Verizon has procedures to exclude separately commissioned calls from the Compensable Call File.

I. Verizon has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Verizon owes compensation, as follows:

- 1 Verizon has business rules that identify calls originated from payphones, and the third-party audit report of BCI verified that BCI also has such business rules.
- 2 Verizon has business rules that identify compensable payphone calls.
- 3 Verizon has business rules that exclude incomplete or otherwise non-compensable calls.
- 4 Verizon has business rules to determine the identities of the PSPs to which Verizon owes compensation.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

Verizon LD Operations - Required Disclosures per 64.1320(d)

Verizon represents the following facts regarding its LD Operations in its role as the Completing Carrier. These facts are in fulfillment of the obligations of Verizon as specified at 47 C.F.R. Section 64.1320(d):

- 1 Verizon criteria for identifying calls originating from payphones include call record info-digit identification of 07, 27, 29 or 70. In addition, originating ANI is also used to identify payphone-originated calls.
- 2 Verizon's criteria for identifying compensable payphone calls include all calls with info-digits 07, 27, 29 or 70 (or with a payphone-identified originating ANI) and call duration greater than zero (0). Calls originating from a payphone where Verizon has a written compensation agreement with the payphone owner are excluded from the Compensable Call File.
- 3 Verizon's criteria for identifying incomplete or otherwise non-compensable calls include: (1) calls that do not have info-digits 07, 27, 29 or 70 (or that are not from a payphone-identified originating ANI), (2) calls with a duration of zero (0), or (3) calls that originate from payphones where Verizon has a written compensation agreement in place.
- 4 Verizon's criteria used to determine the identities of the PSPs to which Verizon owes compensation are established by BCI, Verizon LD's clearinghouse for settlements.
- 5 The type of information that Verizon needs from the PSPs in order to compensate the PSPs is determined by BCI.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

II. LEC Operations

Verizon is the "Completing Carrier" for the following call scenarios:

IntraLATA toll-free and access code calls that originate and terminate in the same LEC service area.

An error in the payphone compensation processing resulted in inadvertent over and under payments of payphone compensation to Payphone Service Providers (PSPs). The error occurred during the migration of payphone compensation processing to a new system (TRACS) in October 2004 when a particular trunk group was mistakenly misclassified as non-compensable. Current controls in Verizon's dispute management process enabled it to identify the error while investigating a dispute lodged in September 2005. Verizon corrected the aforementioned error in the TRACS system in November 2005 and ensured that the processing of payphone compensation is accurate going forward. Further, Verizon reprocessed payphone compensation since October 2004 after the error was corrected and adjusted payphone compensation to PSP's accordingly.

Verizon represents the following facts regarding its LEC Operations in its role as the Completing Carrier. These facts are in fulfillment of the obligations as set forth at 47 C.F.R Section 64.1320(c):

A. Verizon's procedures accurately track calls to completion, as follows:

- 1 Verizon's system tracks completed calls, which are calls answered by a third party.
- 2 Verizon's systems are able to generate the following reports on a quarterly basis:
 - a) A list of the toll-free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll-free and access number completed by Verizon.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling Verizon's payphone compensation.
- 3 Verizon stores for 27 months all of the data required for the reports described in paragraph 2 above, and the time and date of every call identified in its quarterly reports to PSPs.
- 4 Verizon's procedures for identifying PSPs are complete and accurate.
- 5 Verizon's procedures for validating payphone ANIs are complete and accurate.
- 6 Verizon's definition of a "Compensable Call" is in compliance with FCC rules.

B. Verizon has identified a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls, as follows:

- 1 Verizon has identified personnel responsible for drafting and maintaining the business requirements associated with call tracking, payphone compensation, and resolving disputes concerning payphone-completed calls.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

- 2 Verizon has identified personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- 3 Verizon has identified personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- 4 Verizon has identified personnel who are responsible for developing compensation- tracking reports.
- 5 Verizon has identified personnel who are responsible for payphone compensation dispute resolution.

C. Verizon has effective data monitoring procedures, as follows:

- 1 Verizon has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed and completed.
- 2 Verizon performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- 3 Verizon performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
- 4 Verizon has the ability to investigate and resolve PSP disputes.

D. Verizon adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability, as follows:

- 1 Verizon has security controls in place to control access to and monitor call-tracking data.
- 2 Verizon has security controls in place to control access to and monitor the payment disbursement system.
- 3 Verizon has a department that is responsible for making software changes that affect payphone compensation.
- 4 Verizon has established protocols to implement and test software changes affecting payphone compensation.
- 5 Verizon has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

E. Verizon creates a compensable payphone call file by matching call detail records against payphone identifiers, as follows:

- 1 Verizon utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- 2 A compensable call for Verizon is one originating at a payphone and completed by Verizon.
- 3 Verizon uses payphone specific identifiers (coin indicator) to identify a compensable payphone call record.
- 4 Verizon applies validation and control procedures to compile the Compensable Call File.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

5 Verizon uses the appropriate FCC default "per-call rate" for compensating PSPs.

F. Verizon has procedures to incorporate call data into required reports, as follows:

1 Verizon's systems are able to generate the following reports on a quarterly basis:

- a) A list of the toll-free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
- b) The volume of calls for each toll-free and access number completed by Verizon.
- c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling Verizon's payphone compensation.

2 Verizon possesses a valid list of payphone owners identified by ANI.

G. Verizon has implemented procedures and controls needed to resolve payphone compensation disputes, as follows:

- 1 Verizon has the ability to investigate and resolve PSP disputes.
- 2 Verizon has designated personnel who are responsible for payphone compensation dispute resolution.
- 3 Verizon filed a statement on July 1, 2004 that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes to such persons. The statement was filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.
- 4 Verizon's data storage requirements are in compliance with the FCC rules.

H. Verizon has contracted an independent third-party auditor to test critical controls and procedures to verify that errors are immaterial, as follows:

- 1 Verizon has procedures to identify payphone-originated calls.
- 2 Verizon has procedures to capture dial-around calls.
- 3 Verizon has procedures to exclude incomplete calls from the Compensable Call File.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

- 4 Verizon has procedures to accurately populate call record data in the Compensable Call File.
- 5 Verizon has procedures to exclude commissioned calls from the Compensable Call File.
1. **Verizon has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Verizon owes compensation, as follows:**
 - 1 Verizon has business rules that identify calls originated from payphones.
 - 2 Verizon has business rules that identify compensable payphone calls.
 - 3 Verizon has business rules that exclude incomplete or otherwise non-compensable calls.
 - 4 Verizon has business rules to determine the identities of the PSPs to which Verizon owes compensation.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R. Sections 64.1310 and 64.1320 of the Federal Communications
Commission's Rules and Regulations**

Verizon LEC Operations - Required Disclosures per 64.1320(d)

Verizon represents the following facts regarding its LEC Operations in its role as the Completing Carrier. These facts are in fulfillment of the obligations of Verizon as specified at 47 C.F.R. Section 64.1320(d):

- 1 Verizon's criterion for identifying calls originating from payphones is a coin-indicator populated in the call record.
- 2 Verizon's criteria for identifying compensable payphone calls include all calls with the coin-indicator populated and call duration greater than zero (0). Calls originating from payphones where Verizon LEC has a written compensation agreement with the payphone owner are excluded from the Compensable Call File.
- 3 Verizon's criteria for identifying incomplete or otherwise noncompensable calls include: (1) calls that do not have the coin-indicator populated, (2) calls with a duration of zero (0), or (3) calls that originate from payphones where Verizon has a written compensation agreement with the payphone owner.
- 4 Verizon's criteria used to determine the identities of the PSPs to which Verizon owes compensation are established during the Sales Order Process. During the Sales Order Process, all orders relating to payphones require information, consisting of PSP name, address, ANI and ANI location, to determine the identities of the PSPs.
- 5 The type of information that Verizon LEC Operations needs from the PSPs in order to compensate the PSPs is the correct identification information, consisting of PSP name, address, ANI and ANI location.

Verizon Communications Inc.



Mary J. Howe
Vice President Regulatory Compliance
June 29, 2006

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

Management of MCI Communications Services, Inc. d/b/a Verizon Business Services ("Verizon Business" or "the Company"), a wholly-owned subsidiary of Verizon Communications Inc., is responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with applicable requirements of 47 C.F.R. Sections 64.1310(a)(1), 64.1320(c) and 64.1320(d) of the Federal Communications Commission's ("FCC") Rules and Regulations and related requirements contained in CC Docket No. 96-128, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management evaluated the Company's compliance with the applicable requirements of 47 C.F.R. Section 64.1310(a)(1) using the criteria in 47 C.F.R. Section 64.1320(c) of the FCC's Rules and Regulations as the framework for the evaluation. Based on this evaluation, we assert that as of June 29, 2006, Verizon Business complies with all applicable requirements of 47 C.F.R Sections 64.1310(a)(1), 64.1320(c) and 64.1320(d) in all material aspects as classified below. Further, there have been no material changes since June 30, 2005 concerning our call tracking system or the Company's compliance with 64.1310(a)(1) that must be disclosed to the auditors in accordance with Section 64.1320(f) of the FCC's Rules and Regulations.

Verizon Business acts as the Completing Carrier¹ in the following call scenarios:

- Postpaid Calling Card calls
- Prepaid Calling Card calls
- Toll Free calls
- Operator Services calls
- Wholesale Switch-less Based Reseller calls

Verizon Business uses National Payphone Clearinghouse ("NPC") to perform payphone compensation settlement. Certain assertions included in this report depend in whole or in part upon NPC performance. In support of these assertions, Verizon Business relies upon a contractual agreement between Verizon Business and NPC (NPC Contract), which requires NPC compliance with CC Docket No. 96-128. In addition, NPC has provided Verizon Business an independent third-party audit report to verify that effective controls and procedures relating to these assertions have been established and will be maintained by NPC. Verizon Business has not conducted an independent evaluation and makes these assertions based solely on the NPC Contract and third-party audit report of NPC's operations.

¹ As defined in the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*, paragraph 64.1300 (a), a Completing Carrier is a long distance carrier or switch-based long distance reseller that completes a coinless access code or subscriber toll-free payphone call or a local exchange carrier that completes a local, coinless access code or subscriber toll-free payphone call.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

The assertions for Verizon Business are made starting with the initial point in call record processing at which Verizon Business has visibility to the call tracking data. Verizon Business represents the following facts regarding its role as the Completing Carrier, which are in fulfillment of the obligation of Verizon Business as described at 47 C.F.R. Section 64.1320(c):

(1) Verizon Business procedures accurately track calls to completion.

- A. Verizon Business uses the appropriate FCC default "per-call rate" to compensate PSPs, and the third-party audit report of NPC processes verified that NPC compensates payphone providers based on this rate.
- B. Verizon Business's definition of a "Compensable Call" (payphone-originated call that completes over the Company's network in which Verizon Business identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- C. Verizon Business's definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- D. Verizon Business stores twenty-seven months of data as required by the FCC rules.
- E. Verizon Business's procedures for identifying Payphone Service Providers ("PSPs") are complete and accurate, and the third-party audit report from the National Payphone Clearinghouse ("NPC") verified that NPC procedures for identifying PSPs are also complete and accurate.
- F. Verizon Business's procedures for validating payphone Automated Number Identification ("ANI") are complete and accurate, and the third-party audit report from the NPC verified that NPC procedures for validating payphone ANIs are also complete and accurate.

(2) Verizon Business has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.

- A. Verizon Business has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- B. Verizon Business has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the development and maintenance of the systems under their control used in the collection and reporting of payphone call data.
- C. Verizon Business has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final payphone compensation

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

data sets, and the third-party audit report of NPC verified that NPC has designated personnel responsible for the implementation and maintenance of procedures under their control that are utilized in creating final compensation data sets.

- D. Verizon Business has designated personnel who are responsible for developing payphone compensation-tracking reports, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for developing compensation-tracking reports under their control.
- E. Verizon Business has designated personnel who are responsible for payphone compensation dispute resolution, and the third-party audit report of NPC verified that NPC has designated personnel who are responsible for the payphone compensation dispute resolution under their control.
- F. Verizon Business has identified personnel responsible for managing coordination with the payphone clearinghouse services provider, the National Payphone Clearinghouse.

(3) Verizon Business has effective data monitoring procedures.

- A. Verizon Business has the ability to prepare quarterly reports on payphone call counts, PSP identifiers, and numbers dialed for completed payphone originating calls, and the third-party audit report of NPC verified that NPC has the ability to prepare the quarterly reports on payphone call counts, PSP identities and numbers dialed and completed under their control.
- B. Verizon Business performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- C. Verizon Business performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
- D. Verizon Business has the ability to investigate and resolve PSP disputes.

(4) Verizon Business adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability.

- A. Verizon Business has security controls in place to control access to and monitor call-tracking data, and the third-party audit report of NPC verified that NPC has controls in place to control access to and monitor call-tracking data.
- B. Verizon Business has security controls in place to control access to and monitor the payment disbursement system, and the third-party audit report of NPC verified that NPC also maintains such controls.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

- C. Verizon Business has a department that is responsible for making software changes that affect payphone compensation, and the third-party audit report of NPC verified that NPC also maintains such a department.
- D. Verizon Business has established protocols to implement and test software changes affecting payphone compensation, and the third-party audit report of NPC verified that NPC also maintains such protocols.
- E. Verizon Business has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

(5) Verizon Business creates a compensable payphone call file by matching call detail records against payphone identifiers.

- A. Verizon Business utilizes switch data and database look-ups to populate the date, originating ANI, dialed number (where captured by the compensation system), and aggregate data into a Compensable Call File.
- B. A compensable call for Verizon Business is one originating at a payphone and completed by Verizon Business.
- C. Verizon Business uses payphone specific identifiers - info digits or ANI lists - to identify a compensable payphone call, and the third-party audit report of NPC verified that NPC also maintains such identifiers.
- D. Verizon Business applies validation and control procedures to compile the Compensable Call File.

(6) Verizon Business has procedures to incorporate call data into required reports.

- A. Verizon Business' systems are able to generate, and the third-party audit report of NPC verified that NPC's systems are able to generate for the systems under their control, the following reports on a quarterly basis:
 - A list of the toll-free and access numbers dialed (where captured by the compensation system) and completed from each PSP's payphones along with the ANI for each payphone.
 - The volume of payphone originating calls, for each toll-free and access number, that were completed by the Company.
 - The name(s), address(es), and phone number(s) of the person(s) responsible for handling Verizon Business's payphone compensation.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

- The Carrier Identification Code ("CIC") code of all facilities-based LD carriers that routed calls to Verizon Business, categorized according to toll-free and access code numbers.
 - B. Verizon Business possesses valid lists of payphone owners identified by ANI, and the third-party audit report of NPC verified that NPC possess a valid list of payphone owners identified by ANI.
- (7) Verizon Business has implemented procedures and controls needed to resolve payphone compensation disputes.**
- A. Verizon Business maintains required payphone call-tracking data for at least eighteen months required by the FCC.
 - B. Verizon Business has the ability to investigate and resolve PSP disputes.
 - C. Verizon Business has designated personnel who are responsible for payphone compensation dispute resolution.
 - D. Verizon Business has filed a statement that includes the names, addresses and phone numbers for persons responsible for handling payments and resolving disputes. This statement will be updated within 60 days of any changes of such persons. The statement was filed with the FCC Secretary and made available to facilities-based LD carriers and PSPs.
- (8) Verizon Business's independent third-party auditor can test all critical controls and procedures to verify that errors are immaterial.**
- A. Verizon Business has procedures to identify payphone-originated calls, and the third-party audit report of NPC verified that NPC also has such procedures.
 - B. Verizon Business has procedures to capture dial-around calls originating from a payphone.
 - C. Verizon Business has procedures to exclude incomplete calls originating from a payphone from the Compensable Call File.
 - D. Verizon Business has procedures to accurately populate call record data in the Compensable Call File.
 - E. Verizon Business has procedures to exclude separately commissioned calls from the Compensable Call File.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

(9) Verizon Business has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.

- A. Verizon Business has business rules that identify calls originated from payphones.
- B. Verizon Business has business rules that identify compensable payphone calls.
- C. Verizon Business has business rules that exclude incomplete calls originating from a payphone.
- D. Verizon Business has business rules to determine the identities of the payphone service providers to which Verizon Business owes compensation.


Verizon Business's Required Disclosures per Section 64.1320(d) of the FCC's Rules and Regulations

Verizon Business represents the following facts regarding its role as the Completing Carrier. These facts are in fulfillment of the obligations of Verizon Business as specified at 47 C.F.R. Section 64.1320(d):

- Verizon Business's criteria for identifying calls originating from payphones include call record info-digit identification of 27, 29, or 70. In addition, originating ANI is also used to identify payphone-originated calls.
- Verizon Business's criteria for identifying compensable payphone calls include all calls with info-digits 27, 29, or 70 (or with a payphone-identified originating ANI) and call duration greater than zero. Calls originating from payphones with a separate compensation agreement in place are excluded from the Compensable Call File.
- Verizon Business's criteria for identifying incomplete or otherwise noncompensable calls include: 1) calls that do not have info-digits 27, 29, or 70 (or that are not from a payphone-identified originating ANI); 2) calls with a duration of zero; or 3) calls that originate from payphones with a separate compensation agreement in place.
- Verizon Business's criteria used to determine the identities of the PSPs to which Verizon Business owes compensation is established by NPC and the third-party audit report of NPC verified that NPC also maintains such a department.
- Verizon Business uses the clearinghouse, NPC, to perform payphone compensation settlement.

**Report of Management on Compliance with Applicable Requirements
of 47 C.F.R Sections 64.1310 and 64.1320 of the Federal Communications Commission's
Rules and Regulations**

- The type of information that Verizon Business needs from the PSPs in order to compensate the PSPs is the correct identification information consisting of PSP name, address, ANI and ANI location.



Curtis L. Groves
Associate General Counsel
June 29, 2006